OMERS
member news

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Investments deliver double-digits again

Another banner year for OMERS investments fuelled Fund growth to $47.6 billion. OMERS total rate of return was 16.4% in 2006, exceeding its benchmark return of 13.7%. This is the fourth year in a row in which OMERS has achieved an exceptional return. As a result, the funding deficit was reduced to $2.4 billion as at December 31, 2006. OMERS net investment income for 2006 was $6.5 billion, compared with $5.5 billion in 2005.

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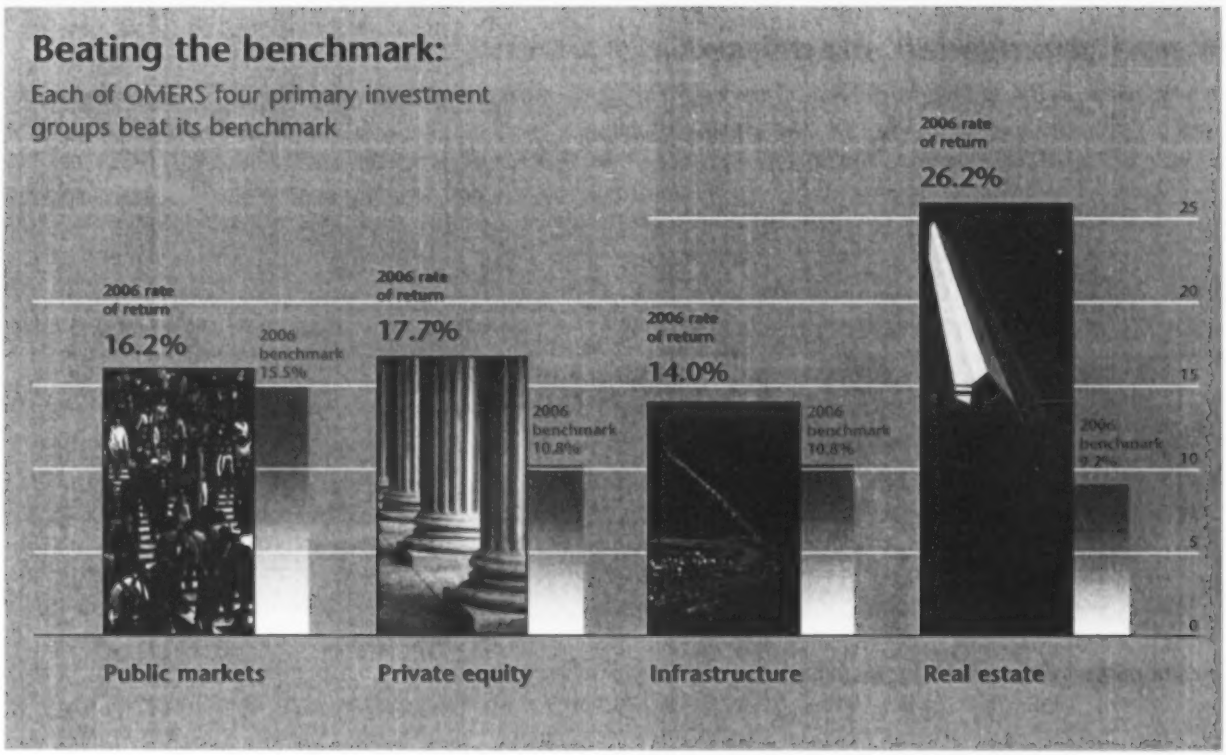
OMERS members above: Lynn Reeve and Tannisha Lambert, Toronto Centre for the Arts

OMERS
Plan for the Future

An OMERS pension will provide you with retirement income for life and includes inflation protection, early retirement options and survivor and disability benefits. *Member News* keeps more than 236,000 members up to date on plan news and benefits.



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OMERS strong returns are largely due to the success of its asset mix strategy. In 2006, this was anchored by the buoyant public markets and the strong returns realized by all three private market lines of business.

OMERS is continuing its long-term strategy to increase its holdings in private equities, real estate and infrastructure from the current 24.2% to 37.5% of net investment assets. OMERS anticipates that over the long-term, an asset mix with greater exposure to private market investments is better positioned to generate strong, predictable returns and consistent cash flow.

Industry leader

OMERS will remain focused on being the leader in the pension industry,

Your OMERS pension is strong and secure

providing first-in-class investment management and delivering superior pension services to active and retired members and employers.

Funding status

The strong investment returns bring OMERS closer to returning to fully funded status. OMERS funding deficit is $2.4 billion as at December 31, 2006, down from $2.8 billion as at December 31, 2005. The funding deficit is partly due to actuarial smoothing of investment returns: a portion of the gains of the past four years are deferred and will be smoothed to actuarial assets over the next four years.

In summary

Strong investments allow OMERS to pay lifetime pensions, protected against inflation. The inevitable peaks and valleys of the various markets in which we invest, as well as changing demographics and other factors, mean that OMERS will sometimes record surpluses and sometimes deficits. Regardless, your OMERS pension is strong and secure.

OMERS real estate: a global enterprise

OMERS asset mix has four distinct investment groups. In recent issues of our newsletter, we've focused on infrastructure, private equity and public market investments. In this issue, real estate is featured.

Oxford Properties Group invests in and manages real estate assets on behalf of OMERS. Oxford owns one of North America's largest income-producing commercial real estate portfolios, worth approximately $8.5 billion, and has nearly $15 billion in real estate investments under management in 2006.

Building returns

Real estate investments are an excellent fit for OMERS for several reasons:

- income-producing properties generate strong and sustainable cash flow – this is ideal for meeting OMERS pension obligations.
- over the long-term, the value of actively managed real estate generally increases in step with the rate of inflation – this offsets the inflation exposure of our pension liabilities.

The strategy

"OMERS goal is to develop a global enterprise in the real estate sector," says Michael Latimer, President and CEO, Oxford Properties Group.

"To reach this goal, we will continue to build a diversified portfolio – by property type and geographic market while balancing the potential rewards against the risks.

"Our strategy also focuses on the investment in and active management of commercial real estate to generate strong rental income," he adds.

Oxford's portfolio reflects the focus on its global investment strategy. The portfolio includes properties in Canada's major urban centres in the office, retail, industrial and multi-family residential sectors as well as resort hotels. It also includes positions in the United States, and abroad in Europe and Asia through a variety of investment partnerships.

OMERS real estate portfolio highlights

Managed by: Oxford Properties Group

Performance: 26.2% rate of return in 2006, 26.0% in 2005

Assets: Ownership stakes in over 80 properties, including:

- Fairmont Hotels and Resorts (seven iconic hotels) (1,5)
- Yorkdale Shopping Centre, Toronto
- Scarborough Town Centre, Toronto (2)
- Square One Shopping Centre, Mississauga
- Constitution Square, Ottawa (3)
- Royal Bank Plaza, Toronto
- BCE Place – Canada Trust Tower, Toronto
- Canterra Tower, Calgary (4)
- Brampton Distribution Centre, Brampton

as at December 31, 2006

Michael Nobrega, veteran investment executive, appointed as CEO

The OMERS Board of Directors announced the appointment of Michael Nobrega as President and Chief Executive Officer of OMERS. His appointment was effective March 12, 2007.

As former President and CEO of Borealis Capital Corporation (OMERS infrastructure entity), Mr. Nobrega oversaw the development of this OMERS investment entity that is now a $5.6 billion portfolio.

Mr. Nobrega has worked closely with OMERS senior management, serving on the investment advisory committee, and providing important guidance to OMERS on a range of regulatory and taxation issues. "We will continue to focus on our primary responsibilities of paying pensions, providing first-rate service to plan participants and earning industry-leading returns on our investments," Mr. Nobrega said.

OMERS will continue its strategy of increasing investments in long-term alternative assets, such as real estate, private equity and infrastructure, to 37.5% of total assets.

"The Board and I remain committed to our asset mix strategy and we remain confident that our investment mix will continue to generate strong, long-term investment returns to meet our pension obligations," Mr. Nobrega said.

David Kingston, OMERS Board Chair, said all Board members are fully committed to Mr. Nobrega as OMERS President and CEO. "The Board's decision was unanimous," Mr. Kingston said. "Michael's leadership qualities, his first-hand knowledge of OMERS, his deep understanding of our investment strategy and commitment to the new governance structure all make him an excellent choice."

Michael Nobrega, President and CEO

OMERS thanks Paul Haggis

Paul Haggis, OMERS President and CEO since 2001, was thanked by the Board for his service to OMERS. "Paul was brought in to address the changing investment needs of the organization," said Mr. Kingston. "He made many significant contributions during his time here, overseeing a major reorganization, bringing in a strong, new leadership team and implementing a successful new asset mix strategy that has generated exceptional returns. OMERS thanks Paul for his leadership during this important period in our history."

OMERS settles into new structure

On June 30, 2006, the *OMERS Act, 2006* became law. The legislation established a new and independent governance model for OMERS. It also requires that a Supplemental Plan be developed to offer optional benefits for members of the police sector, firefighters and paramedics by July 1, 2008.

Since the proclamation of the *OMERS Act, 2006,* OMERS has been busy:

- Representatives were appointed to the OMERS Administration Corporation Board of Directors and the Sponsors Corporation Board of Directors – both boards are now up and running, with no vacant positions.

- OMERS continues to focus on managing the Plan's investments and administering the plan – members can count on OMERS to provide a lifetime pension, including inflation protection and excellent survivor and disability benefits.

- OMERS is working to develop and build Supplemental Plan benefits for members of the police sector, firefighters and paramedics – we will be in a position to administer the benefits by July 1, 2008. Supplemental benefits are optional benefits and must be offered by an employer – they are not automatically provided.

Your OMERS pension and mandatory retirement changes

The Ontario government's legislation ending mandatory retirement at age 65 took effect last year. This legislation does not affect your OMERS pension.

The normal retirement age of OMERS members is 65 (or 60 for police and firefighters), but some members continue to work past their normal retirement age.

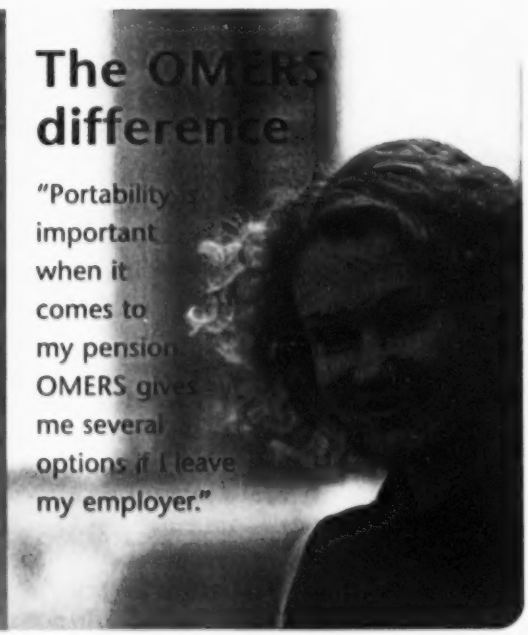
If you continue to work for an OMERS employer, or are paid past your normal retirement age, your active membership in OMERS will continue.

However, the Primary Plan requires that you start your pension by the end of the month in which you turn 69. At that time, OMERS will provide you with a monthly pension whether or not you are still working, and you will no longer make contributions.

As a member of the OMERS pension plan, you have several options to choose from when leaving your OMERS employer. Depending on your age and years of service:

- You can keep your pension with OMERS and receive a lifetime pension in the future. If you go back to work in the Ontario municipal sector, you can merge your OMERS service.
- OMERS has transfer agreements with many major pension plans so you may be able to transfer your OMERS benefit to another plan.
- You may be able to transfer the commuted (present day) value of your pension to a locked-in RRSP.
- You may already be eligible to start receiving your OMERS pension.

For more information about your options or to see the list of plans that have transfer agreements with OMERS, visit ***www.omers.com****. In the Members section, click on Leaving your OMERS employer. Or call OMERS Client Services: 416-369-2444 or 1-800-387-0813.*


The OMERS difference
"Portability is important when it comes to my pension. OMERS gives me several options if I leave my employer."

OMERS membership grows, more pensions in pay, service keeps pace

The numbers for 2006 add up to a big year in OMERS history. Membership continued to grow, and OMERS reached a milestone of having 100,000 pensions in pay.

A comparison of membership figures from five years ago shows that the percentage of active (working) members who are women has grown slightly. The number of working and retired members has also increased along with overall membership.

Service profile

On almost all accounts, the service provided to members and employers is well ahead of OMERS targets. The average turnaround time for initial claims is currently less than two days, compared to the service target of three days.

OMERS also delivers when it comes to the level of service. Incoming calls were resolved at first point of contact 91.5% of the time.

In service satisfaction surveys, active and retired members consistently rate OMERS high:

- 85% of active members gave a rating of 4 or 5* when asked "How satisfied are you with the overall level of service you receive from OMERS?" (2006 average)
- 97% of retired members gave a rating of 4 or 5* when asked "How satisfied are you with OMERS on the timeliness of getting your first retirement cheque OR your first direct deposit payment after you retired?" (2006 average)

** 5 = completely satisfied; 1 = completely dissatisfied*

Quick facts:

OMERS membership as at December 31, 2006

372,021 OMERS total membership
236,900 active (working) members
101,120 retirement, survivor and disability pensions in pay
11,316 members have left their employer and kept their benefit with OMERS
22,685 members have left their employer and had not yet elected a benefit
18,215 members joined the plan in 2006
22 retired members were over 100 years old
54% of active (working) members are female
46% of active (working) members are male

Looking at tax issues and your pension

Tax breaks for retirement savings in Canada have been around for many years. Canadians don't pay income tax on earnings set aside for retirement, or on the investment income earned on that money, until the funds come out of the registered plan. Deferring taxes on retirement savings encourages Canadians to save for retirement.

OMERS member Greg Edwards, 53 years old and a Program Officer with the Toronto District School Board, has used a common strategy to defer taxes and save for his retirement. Greg has contributed to his registered retirement savings plan (RRSP) throughout his working life. This helped him get the benefit of a tax deduction each year, and will likely mean a smaller tax payment when he withdraws his RRSP funds in retirement. Income tends to be lower in retirement and is taxed accordingly.

The same principle applies to the OMERS pension Greg is earning – he does not pay tax on his OMERS contributions. When he begins to receive his OMERS pension, tax will be deducted but likely at a lower tax rate.

Tax savings issues are an important part of personal financial planning. For families with children, this includes taking advantage of child benefits and deductions.

Greg and his wife contributed to a registered education savings plan (RESP) for their daughter Carina. While the RESP contributions were not tax-deductible, the interest is compounded tax-free until it is withdrawn by their daughter to pay for her post-secondary education. "At that time there would likely be very little tax, if any, based on Carina's lower tax bracket," says Greg.

There are many other potential tax-savings opportunities, for example:

OMERS member, Greg Edwards, with his wife, Lois; daughter, Carina; and family pet, Sprite.

- couples can use spousal RRSPs to offset the higher-income spouse's taxes
- parents may be eligible to claim child care expenses
- students may be eligible for the tuition tax credit
- individuals who provide in-home care for elderly relatives may qualify for the caregiver tax credit
- commuters can claim a public transit tax credit, provided they keep their transit passes to support the claim.

Ask an expert

Tax planning can be complex, so we strongly suggest you seek the advice of a qualified financial adviser. For more information, visit:

- Canada Revenue Agency at www.cra-arc.gc.ca
- Ministry of Finance at www.fin.gov.on.ca/english/tax
- Certified Financial Planners at www.cfp-ca.org

Start with a dream

Start with a dream. Finish with a plan. Our financial planning series continues...

- Cash management: budgeting, debt and savings (Fall 2006)
- Risk management and estate planning (Winter 2006/2007)
- **Looking at tax issues and your pension (Spring 2007)**
- Retirement planning: sources of retirement income (Summer 2007)

See the next member newsletter for part four of our financial planning series. We'll focus on the sources of retirement income. If you would like to take part in a phone or e-mail interview and share your financial planning ideas and experiences, please e-mail us with your contact information at feedback@omers.com.

The above article is intended for the purpose of providing information only. It is not intended nor should it be construed as providing investment, financial planning or legal advice. OMERS is not providing an endorsement of any views that may appear in this article. Members' individual circumstances may differ and members should consult their own professional advisers when considering any particular investment or financial strategy.

MEMBER INFORMATION SESSION SCHEDULE

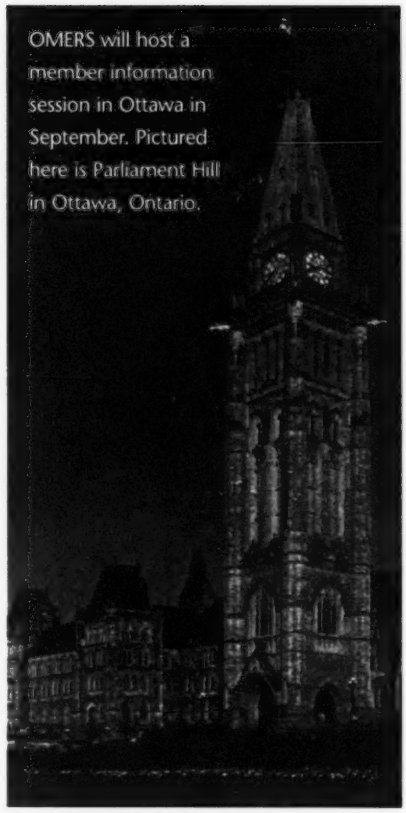
Plan for your future – with OMERS

Learn about your pension at an OMERS member information session. The sessions are fun and informative, and offered free of charge. Topics covered include early retirement options, inflation protection and survivor benefits.

Information sessions scheduled for 2007 (5:30 to 7:30 p.m.)

Date	Location
June 13	**Guelph** Ramada Hotel and Conference Centre, 716 Gordon Street
June 20	**Newmarket** Best Western Voyageur Place Hotel, 17565 Yonge Street
July 11	**Simcoe** Travelodge Simcoe, 385 Queensway West
September 12	**Windsor** Hilton Windsor, 277 Riverside Drive West
September 26	**Ottawa** Holiday Inn Ottawa-Kanata, 101 Kanata Avenue
October 10	**Timmins** Cedar Meadows Resort, 1000 Rue Norman Street
November 8	**Toronto** OMERS, 1 University Avenue, 7th Floor
November 13	**Toronto east** location to be determined
November 22	**Toronto west** location to be determined
November 29	**Toronto north** location to be determined
December 5	**St. Catharines** Four Points by Sheraton, 3530 Schmon Parkway

Register early. The sessions fill up quickly. To register or confirm the meeting location, contact OMERS Client Services or visit www.omers.com/Members/Information sessions.



OMERS will host a member information session in Ottawa in September. Pictured here is Parliament Hill in Ottawa, Ontario.

Tip learned at session helps member's mother

After learning about the Canada Pension Plan's Child-rearing Provision at a member information session, a member helped her mother apply for the benefit – her mother had not known about the benefit when she started her CPP pension. As a result, the member's mother received a significant retroactive payment in February and her monthly payment from CPP increased.

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While the information in this newsletter is accurate, the *OMERS Act, 2006* is the governing source for all plan provisions.